



**MINUTES
PUBLIC MEETING
July 1, 2005
8:00 AM
STATE HOUSE ROOM 233**

I. Call to Order

The meeting was called to order by Jeff Heinzmann.

II. Roll Call

Ryan Kitchell, Jeff Heinzmann, Tim Berry, Judy Rhodes, and Tony Armstrong were present. Jeff Heinzmann introduced new Committee Member Tony Armstrong, appointee of the State Board of Finance.

III. Capital Cities Investment Structure Report

Chris Welker and Bill Mauger presented the Committee with Capital Cities' Investment Structure Evaluation. The following Recommendations were made:

1. Conduct search for Mid Cap Value option
2. Eliminate Small Cap Value and Small Cap Growth (American Beacon and Brown) options
3. Conduct search for Small Cap Broad option
4. Conduct an International Equity search
5. Eliminate Wells Fargo Large Co Growth
6. Conduct Large Cap Growth search
7. Examine and revise makeup of Lifestyle Portfolios once new investment options are selected.

There was discussion concerning how many changes could be made per year under the Administrator's contract with Great-West. Gary Dankert stated the contract allows for two changes per year, plus additional changes in emergency situations. Jeff Heinzmann indicated that Great-West had conveyed a willingness to be flexible on this point, but he also stressed the desirability of making changes together if multiple changes are known to be coming. Bill Mauger agreed.

The Committee discussed the specific fund recommendations. Ryan Kitchell inquired why Capital Cities was recommending eliminating American Beacon but not Fidelity Low-Priced Stock. Chris Welker stated that American Beacon was brought in as an option upon the hard close of Fidelity, and that those participants in the Fidelity Fund could not add to their holdings and had chosen to keep their assets there, in what has been a strong performing fund. Bill Mauger confirmed this, stating that Fidelity Low-Priced Stock was a top performer, despite some quantitative issues, and that the lead manager is still with the fund. They would recommend continuing to monitor the fund, but not removing it.

Ryan Kitchell asked if the International fund recommendation was to keep Fidelity Diversified International and add a new International fund? Jeff Heinzmann reminded the Committee that the need for a new international fund was driven in part by Fidelity's redemption fee policy pulling Diversified International out of the Lifestyle Portfolios. Bill Mauger stated that there was a potential overlap if both funds were kept. He stated he would check with Great-West for whether the new option could be offered in the Lifestyle portfolios only or whether it would have to be offered both inside and outside the Lifestyle portfolios, as stand alone. Chris Welker added that there was nothing wrong with having two.

There was also discussion concerning the use of the State's RFP process. Jeff Heinzmann stated that the IPS does direct the Committee to use a public competitive bidding process, but that counsel and IDOA had in the past confirmed that the Committee is free to manage that process on its own. Chris Welker also stated that contact would be made with all previous RFP submissions from the March search. Tim Berry further inquired if the Committee was subject to Indiana Purchasing requirements? Jeff Heinzmann stated that the plan is not funded by the State so the plan is not subject to the rules of procurement and that this was confirmed by IDOA. He added that we do however still use the State's bidding process as a guide within the Committee's search process. Tim Berry asked if the Buy Indiana policy could be applied. Chris Welker stated that there are limited options when searching for Indiana fund managers, but that Capital Cities would certainly seek out Indiana vendors to be included in the bidding process when possible.

Ryan Kitchell made motion to conduct a Mid Cap Value Option search. Tony Armstrong seconded the motion and the motion passed unanimously.

Tim Berry made motion to conduct a Small Cap Broad option search. Ryan Kitchell seconded the motion and the motion passed unanimously.

Ryan Kitchell made motion to conduct an International Equity search. Tim Berry seconded the motion and the motion passed unanimously.

Ryan Kitchell made motion to eliminate Wells Fargo Large Co. Growth and conduct a Large Cap Growth search, mapping the assets from that fund to the new Large Cap Growth option. Tim Berry seconded the motion and the motion passed unanimously

Bill Mauger stated Capital Cities would initiate the search process allowing sufficient time keeping response time in a 60 day window. Tim Berry offered to have a link to the RFP added to the Treasurer's website.

IV. New Business

A formal Welcome was extended to Tony Armstrong as a new member to the Committee.

Buck Kwasha (Mellon Consultants)

Jeff Heinzmann distributed a draft response letter to billing from Buck Kwasha and suggested that a payment for one half the billing amount would be in order for last quarter. The Committee was in agreement.

Cap Cities

An offer to provide one-on-one assistance to Committee members to understand better the analytical reporting style that Capital Cities uses.

V. Old Business

No Old Business.

VI. Adjournment

There being no further business before the Committee the meeting was adjourned.